

Memorandum

To: Panel Members Date: April 24, 2003

From: Charles Rufo, Manager Analyst: S. Joyce
Peter DeMauro, General Counsel

Subject: One-Step Agreement for **Nugget Market, Inc. (SET)**

CONTRACTOR:

- Training Project Profile: SET-Workers Earning at Least State Average Hourly Wage
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Retail
- Repeat Contractor: Yes
- Contractor's Full Time Employees:
 - Company Wide: 540
 - In California: 540
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$140,049
- Substantial Contribution: \$0
- Total ETP Funding: \$140,049
- In-Kind Contribution: \$175,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Yolo, Solano, Sacramento, and El Dorado
- Duration of Agreement: 24 months

SUBCONTRACTORS:

None.

THIRD PARTY SERVICES:

None.

PRIOR PROJECTS:

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

Agreement No.	Location (City)	Term	Agreement Amount	Amount Earned	% Earned
ET01-0211 Retraitees	Woodland	12/27/2000- 12/26/2002	\$53,040	\$45,240	*85%

* The Contractor anticipates earnings of \$53,040 after submission of its final invoice.

NARRATIVE:

Nugget Market, Inc., (Nugget) is eligible for ETP funding under Title 22, California Code of Regulations, Section 4409(a) Special Employment Training for Frontline Workers who earn at least the state average hourly wage and are not subject to out-of-state competition.

Nugget was founded in 1926 by the father and son team of William and Mack Stille. During the early years, Nugget was the first store in the Sacramento area to offer self-service in the meat department and refrigerated produce cases in a grocery store. Nugget Market, Inc., purchased two franchises for Food 4 Less in 1991 and 1997.

In 2002, Nugget had an opportunity to purchase a small market chain of eight stores. After an assessment of the employees and their respective skills, Nugget realized its frontline employees lacked the knowledge to manage the additional stores. Following this missed opportunity, Nugget decided to train an extended number of employees to provide an elevated level of customer service and to have a qualified team available for company expansion.

With growing competition in the retail food sales industry, customer service, product quality and presentation skills are topics that Nugget makes a priority in its training program. Nugget is moving toward being a full service store, rather than the traditional self-service market. This requires extensive customer service training for employees. Nugget management defines a full-service store as a place "guests" may shop and obtain assistance from employees with in-depth knowledge of food pairings, preparation information, various cuts of meats, ethnic foods, wines, cheeses and other store products.

Nugget has developed a unique and comprehensive training program that will provide the 171 trainees in this proposal with training materials, a classroom environment and qualified instructors. Nugget Market has not done a training program of this size in the past.

NARRATIVE: (continued)

The goal of this program is to provide employees with the skills required for Nugget to attain and maintain a qualified workforce, leading to improved productivity and profitability. With ETP assistance in defraying the training cost of 171 trainees, Nugget will include an additional 250 staff in the training plan at its own cost. Training will include the following:

Business Skills: All trainees will be included in Business Skills training. It will provide Nugget's associates with the ability to better interact with their internal and external customers. Communication skills, in-depth new product knowledge, sales techniques will be included in the training plan. Practical skills will be offered to each department. To streamline the efficiency in all departments, cross-training will be given, enabling employees to function in any position in their departments. Also, an additional 40 hours in Business Skills training will be given to selected employees with a strong aptitude toward leadership and promotional opportunities.

Continuous Improvement: All trainees will attend Continuous Improvement training. Trainees will learn to work in teams to reach solutions to business issues or problems, communicate at all levels, become leaders, and analyze and implement process improvements to the company's workflow based on data.

Supplemental Nature of Training

Until two years ago, Nugget employee training took the form of a "learn as you work" training. Short group and stand-up meetings were held before shifts to introduce new products and practices. Also, company bulletins announced policy changes and new information for products and practices. These methods proved to be unsuccessful and resulted in employees lacking strong business and communication skills. Recently, Nugget has provided training in various topics to its frontline workers and management staff. These employer-paid training topics have included business math, profit and loss interpretation, appraisal review, customer interaction and customer service.

The initial ETP-funded training project acted as a first-step in promoting a high performance workplace at Nugget. The previous training topics consisted of a basic outline for Nugget's staff. Since customer service and retail sales techniques are constantly evolving, the knowledge that is required to be successful in the industry is evolving as well. The training in this proposal expands and supplements previous training.

In-Kind Contribution

Nugget's total in-kind contribution will be \$175,000. This includes \$52,000 for employees' wages paid during ETP training; \$114,900 for training-related materials and cost of training additional Nugget personnel in this proposal who do not meet ETP eligibility requirements; and \$8,100 for rent of remote training facilities.

COMMENTS:

All of the participants meet the Panel definition of frontline worker under Title 22 California Code of Regulations, Section 4400 (ee). The assistant managers and leads perform frontline work during the majority of their working hours and only supervise frontline workers during approximately 20 percent of their time. All trainees in this proposal are full-time and permanent employees with Nugget.

PROPOSED ACTION:

Staff recommends that the Panel approve this Agreement if funds are available and the project meets Panel priorities. This recommendation is based upon the company's stated goal to increase customer service, enhance productivity, and expand its market share. The retraining outlined in this Agreement will provide training that will contribute to the long-term job security of Nugget's frontline workers.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job 1 Retrainees	Business Skills Continuous Improvement	171	40-80	0	0	\$819	*\$19.96-\$23.00
						<u>Range of Hourly Wages</u> *\$19.96-\$23.00	
						<u>Prevalent Hourly Wage</u> *\$19.96	
						<u>Average Cost per Trainee</u> \$819	
						<u>% Of Mgrs & Supervisors to be trained:</u> 0%	
<u>Health Benefit used to meet ETP minimum wage:</u> *Health benefits (medical, dental, vision) of up to \$1.50 per hour may be added to the wages of 159 trainees to meet the SET minimum hourly wage of \$19.96 per hour for all California Counties.						<u>Turnover Rate</u> 18%	

Nugget Market, Inc. Menu Curriculum

Trainees will receive training in any of the following:

Business Skills, Part 1

- Leadership Skills
- Coaching Skills
- New Millennium Guest Service Skills
- Conveying ideas efficiently
- New Product Knowledge
- Team Building / Problem Solving Skills
- Time and Project Management
- Business Math Skills
- Written Communication Skills
- Mentor Training Skills
- Quality and Integrity Skills
- Evaluating Competition Skills
- Associate Goal Achievement Recognition Skills
- Organizing and Planning Skills To Achieve Strategic Goals
- Weights and Measures Skills
- Company Form/s Skills
- Computer Skills
- Skills for bringing Full Service into the traditional Self Serve Marketplace.

Business Skills, Part 2

- Register Set Up Skills
- Product Ordering Skills
- Invoicing Skills
- Equipment/Tool Handling Skills
- Food-Handling Hygiene / Health
- Time and Temperature Requirements Skills (Perishable/Non-Perishable)
- Sanitation: Theory and Practice
- Vendor Identification Skills
- Code Data Skills
- Sales Skills
- Point of Sales Skills

Continuous Improvement

- Team Building Skills
- Problem Solving Skills
- Decision Making Skills
- Time Management Skills